

125 FERC ¶ 61,337
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Suedeem G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Southern California Edison Company

Docket No. ER08-375-002

ORDER ON COMPLIANCE FILING

(Issued December 19, 2008)

1. On February 29, 2008, the Commission issued an order¹ accepting tariff revisions implementing rate incentives² approved by the Commission for three Southern California Edison (SoCal Edison) transmission projects: the Devers-Palo Verde II project, the Tehachapi transmission project, and the Rancho Vista transmission substation project (collectively, the Projects). In the February Order, the Commission found that SoCal Edison's Construction Work in Progress (CWIP) ratemaking mechanism proposal provided sufficient accounting procedures and internal controls to prevent a potential double recovery of costs. However, in order to give all parties the opportunity to examine the prudence of such costs, the Commission directed SoCal Edison to provide a descriptive list of the costs included as CWIP in its transmission rate base as of February 29, 2008.³ On March 31, 2008, SoCal Edison submitted a listing of these costs. In this order, the Commission directs SoCal Edison to provide additional information within thirty days of the date of this order.

¹ *Southern California Edison Co.*, 122 FERC ¶ 61,187 (2008) (February Order).

² *Southern California Edison Co.*, 121 FERC ¶ 61,168 (2007) (Incentives Order).

³ February Order, 122 FERC ¶ 61,187 at P 31.

Background**CWIP Ratemaking Mechanism**

2. In Docket No. ER08-375-000, filed on December 21, 2007 (December filing), SoCal Edison sought to implement the portion of the Commission's Incentives Order authorizing SoCal Edison to recover in its transmission rate base 100 percent of CWIP for the Projects through a stand-alone balancing account mechanism. SoCal Edison stated that the rate adjustment would be made to the Base Transmission Revenue Requirement (Base TRR). SoCal Edison proposed to use a formula rate to calculate an incremental CWIP revenue requirement associated with expenditures on facilities and land acquired for the Projects during the construction period. The resulting incremental CWIP transmission revenue requirement (CWIP TRR) would be added to the existing Base TRR. SoCal Edison also explained that under the proposed accounting mechanism, the new Base TRR would include the CWIP TRR and SoCal Edison's current Base TRR.⁴ SoCal Edison stated that, consistent with the Commission's approval of a stand-alone rate mechanism in the Incentives Order, it was not proposing to change other elements of the Base TRR.

3. Further, SoCal Edison stated in the December filing that the incremental CWIP transmission revenue requirement that was being added to the Base TRR was based upon SoCal Edison's projections of its project costs for 2008. It also explained that this rate treatment conforms to the Commission's determination in the Incentives Order that all of the Project costs, including costs related to segments of the Tehachapi Project, are eligible both for incentive and rolled-in rate treatment.⁵ Under SoCal Edison's proposed CWIP ratemaking mechanism (Ratemaking Mechanism), SoCal Edison would calculate its actual CWIP revenue requirement each month and then compare it to the incremental CWIP revenues it receives from all retail transmission customers. SoCal Edison would include the difference between these two amounts in a balancing account, with interest added to the account balances.

4. SoCal Edison also explained that each year it will submit a section 205 filing in order to establish the following year's rates, which will be based upon SoCal Edison's projected CWIP revenue requirement for that year. The projected CWIP revenue requirement for the following year's rates will be trued-up on an annual basis to reflect actual recorded costs through the use of a balancing account and subsequent rate filings.

⁴ The current Base TRR was adopted pursuant to a "black box" settlement. *See Southern California Edison Co.*, 116 FERC ¶ 61,010 (2006).

⁵ SoCal Edison December 21, 2007 filing at 4, n.10, citing Incentives Order, 121 FERC ¶ 61,168 at PP 44, 74, 147.

To establish these procedures, SoCal Edison proposes to revise its Transmission Owner Tariff (TO Tariff) to reflect: (1) implementation of a new CWIP Ratemaking Mechanism; (2) incorporation of new and revised definitions required by the CWIP Ratemaking Mechanism; (3) an increase in the Base TRR and the associated Base transmission rate levels applicable to retail and wholesale transmission customers taking service under the CAISO and TO Tariffs; and (4) an increase in the rates of certain Existing Transmission Customers that are subject to the High Voltage Existing Contracts Access Charge as set forth in the TO Tariff.

5. In its protest to SoCal Edison's December filing, the California Public Utilities Commission (CPUC) argued that SoCal Edison's proposal of the CWIP ratemaking mechanism did not provide sufficient detail to evaluate whether SoCal Edison will double recover costs by accruing Allowance for Funds Used During Construction (AFUDC) after they are included in its CWIP balancing account, or whether SoCal Edison was including the same costs in both FERC and CPUC rates. The CPUC argued that parties needed to conduct discovery on these issues so that they could scrutinize the costs in SoCal Edison's CWIP balancing account to ensure there is no double recovery of costs or any unreasonable costs included therein.

6. In the February Order, the Commission found that SoCal Edison's proposal sufficiently demonstrated that it had accounting procedures and internal controls in place to prevent double recovery, contrary to CPUC's assertions.⁶ However, in order to give all parties the opportunity to examine the prudence of such costs, the Commission directed SoCal Edison to include a descriptive list of the costs included as CWIP in rate base, as a part of its annual filing.⁷ SoCal Edison was also required to submit, within thirty days of the issuance of that order, a descriptive list of the costs included as CWIP in rate base, as of February 29, 2008.⁸

Compliance Filing

7. On March 31, 2008, SoCal Edison submitted a compliance filing consisting of a listing of expenditures for the Projects that it included as CWIP in rate base. This listing included both recorded costs for September 1, 2005 through November 03, 2007 and forecasted costs for December 1, 2007 through December 31, 2008.

⁶ February Order, 122 FERC ¶ 61,187 at P 31.

⁷ *Id.*

⁸ *Id.*

Notice of Filing and Responsive Pleadings

8. Notice of SoCal Edison's compliance filing was published in the *Federal Register*, 73 Fed. Reg. 19210 (2008), with comments, protests, and interventions due on or before April 21, 2008. A timely notice of intervention and protest was filed by the CPUC. SoCal Edison filed an answer to the protest. The CPUC filed an answer to SoCal Edison's answer and SoCal Edison filed a subsequent answer to the CPUC's answer.

Comments and Protests

9. In its April 12, 2008 protest, the CPUC argues that although the compliance filing consists of eleven pages of SoCal Edison's costs for its three new transmission projects, it lacks detail or meaningful descriptions. As a result, the CPUC argues that SoCal Edison's compliance filing does not allow the CPUC or the Commission to examine the prudence of SoCal Edison's CWIP costs, nor does the filing demonstrate that the CWIP costs are reasonable. Further, the CPUC argues that SoCal Edison has not met its burden of proof⁹ because the compliance filing fails to provide necessary documentation and explanation to fully justify these costs. Therefore, the CPUC requests that the reasonableness of SoCal Edison's proposed CWIP costs be set for hearing.

Discussion**A. Procedural Matters**

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the timely, unopposed motions to intervene serve to make those submitting them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2008), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept SoCal Edison's answer or any subsequent answers and, therefore, we will reject them.

B. Commission Determination

11. In the February Order, we directed SoCal Edison to submit a descriptive list of costs for the Projects that are included as CWIP in rate base. We explained that the purpose of this compliance filing was "to give all parties the opportunity to examine the prudence of such costs."¹⁰ SoCal Edison subsequently filed an eleven page listing of

⁹ The CPUC cites to 16 U.S.C. § 824(d) (2006); *Anaheim, Riverside v. FERC*, 669 F.2d 799, 803 (D.C. Cir. 1981).

¹⁰ February Order, 122 FERC ¶ 61,187 at 31.

actual expenditures from September 1, 2005 through November 30, 2007 of the costs of the Projects that it included as CWIP in rate base, and related expenses. This listing also included SoCal Edison's projected CWIP in rate base costs from December 1, 2007 through December 1, 2008. In response to SoCal Edison's filing, the CPUC protests that this compliance filing does not provide adequate information from which it may examine the prudence of these costs. Our review indicates that although the compliance filing provides costs broken down by project and delineated categories, i.e., Home Office, Materials, Construction, Overheads, and AFUDC, we find that this information is insufficient to allow for the opportunity to examine the prudence of such costs. SoCal Edison did not include in its submission workpapers that provide detailed information about each specific category of costs, and we find that this information is necessary to allow the opportunity for such examination. Therefore, we direct SoCal Edison to file workpapers and all other appropriate documentation to support its costs for the Projects.

The Commission orders:

The Commission directs SoCal Edison to submit, within thirty days from issuance of this order, a compliance filing that includes workpapers to support its costs for the Projects in CWIP rate base, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.